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WESTERN HEMISPHERE AGRICULTURAL SITUATION

1968 MIDYEAR REVIEW

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AGRICULTURAL OUTPUT UP MODERATELY

A moderate increase is anticipated for 1968 total agricultural output in Western Hemisphere countries, although per capita food production in Latin America is expected to be down significantly from the record level of 1967. 1/ Canadian output has responded to improved growing conditions early in 1968, and recovery in cotton is expected to help maintain rising agricultural trends in Mexico and Central America. The effect of early drought in the northern Caribbean and the Andean and east-central regions of South America is likely to be offset by improved prospects for later crops, particularly in Argentina.

The 1968 outlook is for a sharp increase in production of cotton, barley, and oats and a slight rise in wheat, rice, and meat output. An anticipated increase in cottonseed output may be offset by smaller harvests of other oilseeds. Production of coffee and sugar will be less than a year earlier.

Exports of coffee, sugar, and bananas are expected to rise in 1968, but total agricultural exports may be lower due to a sharp drop in shipments of wheat and livestock products. Lower levels of agricultural imports reflect the rise in 1967 domestic food production. U.S. agricultural exports to the Hemisphere countries for January-June 1968 were nearly 20 percent below the period a year ago.

The situation at mid-September indicates that near-record supplies of wheat and cotton will be available in the principal exporting countries during 1969 and that lower production of food crops in some countries may encourage a rise in Hemisphere imports during the coming year.

In anticipation of improved prices, Hemisphere cotton plantings were expanded, particularly in Mexico and Central America. Current conditions indicate that Hemisphere cotton production may be some 15 percent larger than last year. Unusually high yields contributed to a record Brazilian crop, and Colombia's harvest also reached a new record. However, Peru's production continued near the reduced 1967 level.

Improved growing conditions are expected to offset a decline in seeded wheat area in Canada and Argentina. In Colombia the wheat harvest was up sharply. Although wet

1/ This review excludes the agricultural situation for the United States.

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weather at planting resulted in some reduction in Mexico's 1968 harvest, and drought reduced production in Peru and Chile, Hemisphere wheat production may slightly exceed the 1967 level. The Brazilian rice harvest increased again this year despite lower yields, and Hemisphere production was up slightly despite sharp reductions in Ecuador and Peru.

Feedgrain production in Argentina is expected to be lower in 1968 due to a sharp drop in corn. Corn production is continuing a rising trend in Canada and Mexico but the Hemisphere corn harvest may be down 10 percent from 1967. This decline may be partially offset by an anticipated upturn for Canadian barley and oats.

The Canadian oilseed situation reflects a sharp drop in plantings and production of rapeseed and a significant recovery in flaxseed. Cottonseed and other oilseed production is expected to be up sharply in Mexico. An increase in cottonseed will also offset a sharp drop in Brazil's peanut crop. Argentina produced a smaller peanut crop for the second consecutive year and harvested a sunflowerseed crop below the 1967 record.

Adverse weather resulted in a sharp reduction in Brazil's 1968 coffee harvest. In Central America coffee production also was lower. Despite a larger Colombian crop, the region's total output may be down more than 15 percent. Severe drought conditions reduced the 1968 sugar harvest, particularly in the Caribbean and Peru. Banana production continued to rise in Central America, but some reduction in Ecuador is anticipated because of drought.

In Canada, strong demand and improved pasture and forage resulted in a moderate rise in cattle and hog slaughter; higher meat production is in prospect for 1968 despite a possible weakening trend later in the year. A moderate upturn is anticipated for output of livestock products in Mexico and Brazil. Argentine meat production is maintaining a slight uptrend, but wool production is expected to be down sharply.

CANADIAN AGRICULTURE RECOVERS

The uptrend in Canadian agricultural output is expected to resume after last year's decline due to drought. Crop and pasture conditions were very favorable through midyear and, despite some adverse effects of later cold, wet weather, the 1968 agricultural output may exceed last year's production by about 6 percent. Wheat exports for 1967/68 were down sharply, so that the larger 1968 crop will be added to a near-record carryover into the new marketing year.

The total seeded area for 1968 field crops was up about 2 percent from the previous year. Price uncertainty contributed to a 2 percent drop in the seeded wheat area, and rapeseed plantings dropped about 35 percent. Important shifts to barley, oats, and flaxseed took place. Flaxseed area rose nearly 50 percent from the record 1967 low. Corn plantings continued an uptrend, exceeding last year's record by about 8 percent.

Good weather conditions favored the early growth of grain and oilseed crops. Official estimates, as of September 15, indicated a wheat harvest nearly 6 percent larger than last year but well below the 1966 record. Barley production was estimated to exceed 1967 by nearly 30 percent. Oats may be up by more than 15 percent, corn by about 6 percent, soybeans by 12 percent, and flaxseed by more than 80 percent. However, rapeseed output will be down sharply and flue-cured tobacco will continue to decline slightly. Although these estimates may not account fully for possible damage from unusual cold and rains beginning in mid-August, a significant increase in yields is anticipated for most 1968 crops.

Production of selected agricultural commodities in Western Hemisphere countries, average 1960-64, annual 1966-67 and forecast change 1968

Commodity and country	Average 1960-64	1966	1967	1968 1/ change	Commodity and country	Average 1960-64	1966	1967	1968 1/ change
	1,000 metric tons					1,000 metric tons			
Wheat					Rapeseed				
Canada	14,650	22,519	16,136	+	Canada	226	585	561	- -
Mexico	1,519	1,609	2,240	-	Chile	70	72	61	- -
Argentina	6,880	6,247	7,000	+ +	Soybeans				
Chile	1,181	1,167	1,203	-	Canada	164	245	220	+ +
Rice					Mexico	60	100	105	+ +
Brazil	5,566	5,802	6,200	+	Brazil	290	595	695	- -
Colombia	532	680	685	+	Colombia	26	52	80	+
Guyana	223	249	270	*	Cotton				
Peru	332	348	405	- -	Mexico	479	490	435	+
Venezuela	111	210	292	-	Central America	195	229	220	+
Corn					Brazil	482	561	438	+ +
Canada	903	1,685	1,882	+	Peru	138	121	89	*
Mexico	6,237	8,200	8,500	+	Coffee				
Argentina	4,778	7,040	8,000	- -	Brazil	1,550	1,200	1,380	- -
Brazil	9,436	10,013	12,000	*	Colombia	470	492	456	+
Barley					Sugar, centrifugal				
Canada	3,561	6,559	5,414	+ +	Mexico	1,623	2,105	2,430	*
Argentina	753	438	588	+	Cuba	5,051	4,491	5,625	-
Oats					Dominican Republic	829	670	810	-
Canada	6,095	5,779	4,691	+ +	Brazil	3,461	4,361	4,604	+
Argentina	748	540	590	+	Colombia	382	576	657	*
Peanuts					Peru	807	842	747	-
Argentina	311	411	354	- -	Beef and veal				
Brazil	542	895	540	- -	Canada	677	846	843	+
Sunflowerseed					Argentina	2,206	2,387	2,550	+
Argentina	634	782	1,120	-	Brazil	1,376	1,452	1,412	+
Chile	67	54	33	+					

1/ Symbols denote the following: * no significant change; + significant increase up to 10 percent; + + a sharp increase exceeding 10 percent; - a significant decline of up to 10 percent; - - a sharp decline exceeding 10 percent.

Cattle and hog numbers on December 1, 1967, were above those a year earlier. For the first 8 months of 1968, domestic cattle slaughter, in response to strong demand, increased nearly 5 percent above the comparable period a year ago. For the same period, mutton and lamb production dropped sharply but inspected hog slaughter continued the recovery trend in progress since 1965, with 1968 slaughter numbers about 10 percent above 1967. Pasture and forage supplies appeared above average and the 1968 output of meat should exceed the record 1967 level.

U.S. agricultural imports from Canada for January-June 1968 were about 15 percent above last year's rate due, partly, to a sharp rise in Canadian shipments of cattle and meat. In contrast, Canada's wheat exports in August-July 1967/68 were down about 40 percent from a year earlier. Sharp drops in purchases by the Communist nations contributed to this decline. Lower import demand was indicated by U.S. agricultural exports for January-June 1968, which were down more than 20 percent from a year earlier.

Carryover wheat stocks for the 1968/69 marketing season were near record. Canada may face a critical problem in marketing and storing larger grain and oilseed crops because of the increased level of world supplies and because of Canadian labor problems, such as the grain handlers' strike at Lakehead ports which tied up grain movement for almost a 2-month period ending in mid-September.

RISING AGRICULTURAL TREND CONTINUES IN MEXICO AND CENTRAL AMERICA

Generally favorable agricultural conditions prevail this year in Mexico and Central America. A strong recovery in cotton, encouraged by improved price expectations, supported a continuation of the rising trend in agricultural production. In Central America, programs to diversify agriculture and improve food supply were reflected in efforts to restrict coffee production.

Mexico: Excessive rainfall reduced Mexico's 1968 wheat harvest. However, favorable growing conditions are expected to encourage a strong recovery in production of cotton and livestock products and a significant increase in other crops, including feedgrains, oilseeds, and coffee. A significant rise in this year's production indicates some expansion in agricultural exports and a possible reduction in imports in 1969.

The planted area for 1968 wheat declined slightly. Unseasonable rains and cold weather reduced wheat yields in the important northwest production area and the harvest is estimated about 10 percent below the 1967 record. Corn and rice plantings continued a slight uptrend and 1968 harvests are forecast well above the 1967 records.

Favorable moisture conditions and anticipation of improved prices encouraged a significant recovery in cotton plantings, particularly in the eastern Tampico-Altimara area and in Sonora. Higher yields are likely and this year's harvest is forecast around 10 percent above 1967 and about the same as the 1966 crop. Coffee continued an upward trend and the harvest is estimated at only 3 percent below the 1967 record.

Near-record oilseed production is forecast for 1968 due, in part, to larger cottonseed output. Soybean production is expected to almost double and the sesame seed crop will be larger. Despite a continued decline in safflower production, Mexico will be self-sufficient in vegetable oils according to recent reports. A 2-year buildup in cattle numbers and above average pasture and forage supplies are encouraging a rise in 1968 output of livestock products. Meat production, in 1968, is estimated sufficient to supply the growing domestic demand and provide near-record exports.

Mexico's 1968 exports of wheat and cotton may be below the level of a year ago but larger shipments of corn are expected. U.S. agricultural imports from Mexico for

January-June 1968 were about 10 percent above the comparable 1967 period, reflecting some rise in Mexican exports of coffee, sugar, vegetables, and meat. For the same 6-month period, U.S. agricultural shipments to Mexico were significantly below 1967 despite some reported rise in Mexican imports of breeding cattle and meat byproducts. In 1969, wheat exports may continue to decline, but export supplies of cotton, corn, and coffee should be larger.

Central America: Hot, dry weather during July adversely affected coffee and some food crops in eastern El Salvador, and renewed volcanic activity may restrict 1968 agricultural output in Costa Rica. Agricultural conditions appeared generally favorable in other areas. Prospective recovery in cotton, a continued rise in banana production, and above average corn harvests are expected to maintain a rising trend in the region's agricultural output despite an anticipated drop in coffee and sugar.

Preliminary estimates for cotton indicate that improved price expectations encouraged recovery in plantings and increased application of fertilizers and insecticides, particularly in El Salvador and Guatemala. Cotton plantings for 1968 are estimated about 4 percent above 1967, and total fiber output is expected to be up more than 8 percent. The rise in banana production is continuing. Despite some adverse weather in El Salvador, the region's corn harvest will be up substantially in 1968, only slightly below the 1966 record.

Central American coffee production for 1968 is estimated about 6 percent below the 1967 record, reflecting adverse weather in some areas and Government efforts to reduce surplus supplies in several countries. The region's sugar output may be significantly below the 1967 record due, largely, to a planned reduction in Guatemala.

Central American cotton exports will probably decline again in 1968. Current indications are that coffee shipments may be below the 1967 record, but bananas are continuing an uptrend. U.S. agricultural imports from the region for the first 6 months of 1968 were about 8 percent below the same 1967 period, despite significant increases in bananas and meat. During that period, U.S. exports of wheat increased more than 10 percent, but total exports were significantly below last year. In 1969, growing demand should maintain some rise in agricultural imports by the Central American countries, and cotton exports should be higher.

DROUGHT RESTRICTS AGRICULTURAL OUTPUT IN THE CARIBBEAN AND SOUTH AMERICA

Unusually dry weather, beginning in late 1967 and extending to near midyear, covered the northern Caribbean (extending from Montserrat in the Leeward Islands north to include Cuba and Jamaica), southern Brazil, and the important agricultural areas of Argentina and Uruguay. Severe drought conditions started in early 1968 and continue in areas of the Andean mountain region, including the coastal and southern areas of Ecuador, northern Peru, and the Central Valley of Chile. The drought impact was serious for early harvested crops including sugar, cocoa and some food crops in the Caribbean and for important grain and oilseed crops in South America.

Caribbean: The 1967 drought reduced 1968 sugarcane yields in the northern Caribbean. Continued drought through May 1968 damaged pastures and early crops including cocoa, beans, and tubers. Growing conditions were favorable in the southern Caribbean, but agricultural production for the region is expected to decline by at least 5 percent in 1968.

A smaller 1968 cane harvest offset some improvement in sugar yields, and Cuban sugar output is estimated about 7 percent below 1967 with a sharper drop in the Dominican Republic. Lower production in Haiti, Barbados and the northern Leewards was more than offset by a large increase in Trinidad and Tobago. The 1968 sugar production for

the region is forecast about 6 percent below last year. Production of cocoa and most food crops is expected to be lower, with a possibility of some rise in coffee production.

Increased supplies from the 1967 sugar crop permitted the Caribbean to increase its agricultural exports in early 1968. However, the drought may result in reduced exports in 1969. Increased agricultural imports may also be needed to compensate for the drop in food production. Despite growing competition in the Caribbean markets, the United States should continue to make gains in exports of feeds and feedgrains and in specialty food products needed to service a growing tourist trade.

Argentina: Overall Argentine agricultural production probably will be down slightly in 1968 due to the effect of severe drought during the first half of the year. Agricultural exports in 1968 may reflect reduced availabilities of principal feedgrains and oilseeds and a weakening of demand for Argentine meat in principal world markets.

Higher prices encouraged a rise in plantings of 1968 corn and sorghum grains. Although dry weather contributed to a 3 percent decline in the sown wheat area, the total area for 1968 grains was about 2 percent above 1967. Dry weather resulted in a sharp drop in the corn harvest, but the barley and oats crops may be up slightly, despite some conversion of early sowings to grazing during the drought. Increased plantings were reflected in larger sorghum grain and rice crops. Excellent moisture conditions since mid-June raised prospects for the 1968/69 wheat crop, with current estimates ranging to 15 percent above the previous year.

Argentina's 1968 crops of cotton, sunflowerseed, and peanuts were below 1967 levels due to drought and a shift to other crops. The cotton harvest was the lowest in 22 years. Weather conditions also were unfavorable for grapes and a shortage of irrigation water may reduce yields of deciduous fruit in 1969. Cattle numbers were at record levels, and a moderate rise is anticipated for beef production due to drought marketing and resumption of trade with the United Kingdom. Mutton output will be lower, and wool production may fall more than 10 percent due to reduced numbers.

Argentina meat exports for January-June 1968 were down 50 percent, by weight, from the year-ago period, and little improvement in the export rate is expected later in the year. Wheat exports may range from one-fourth to one-half higher with a slight rise in sorghum grains also. Corn exports, however, will not approach last year's large volume, and sunflower oil exports face a weakened demand. Next year, the Argentine Government, with a larger carryover of wheat and a potential increase in beef supply, may initiate actions to improve the competitive position of its products.

Brazil: Adverse conditions, including drought, reduced yields of coffee, rice, corn, and other early 1968 crops in southern Brazil. The effect of drought, broken by April rains, was offset by favorable conditions in other regions and by an expansion in crop area, and 1968 agricultural output is estimated near the high 1967 level. Continuing efforts to expand and diversify trade are expected to result in larger agricultural exports during 1968/69.

The incentives provided by support prices and improved credit availability encouraged record plantings of 1968 rice and corn. The rice harvest is estimated up nearly 5 percent, and corn production is expected to be near the 1967 record despite drought effects. Peanut and soybean harvests were down sharply, particularly in the southern area. Growing conditions were ideal for cotton, however, and the 1968 outturn of fiber and seed is estimated at an alltime high, about one-fourth above 1967.

Frost and dry weather reduced coffee yields, and the 1968 crop was down sharply from a year earlier. The Government restricted the sugarcane harvest to the 1967 level but, due to higher sugar yields in the southern area, sugar output will be

higher this year. A buildup in cattle numbers and an improved price situation have encouraged a strong rise in cattle slaughter. Despite some reduction in slaughter weights in drought areas, beef production may be much higher in 1968.

Increased meat production has resulted in some stepup in export in the early months of 1968. A buildup in supply and a significant currency devaluation also are encouraging larger shipments of corn and rice. Coffee exports for the 1967/68 marketing year were a record high. Larger coffee shipments accounted for a sharp January-June rise of one-fourth in U.S. agricultural imports from Brazil, compared with the same 1967 period. Brazil's imports of wheat are continuing near the high 1967 rate. U.S. exports of wheat to Brazil were up sharply for the 6-month period, but total agricultural exports were nearly 10 percent below the 1967 level.

Chile: A significant increase in oats and barley, harvested through February, and drought-induced cattle slaughter are expected to maintain 1968 agricultural output near last year's level, despite reductions in later crops. Current reports indicate that reduced rainfall, estimated at 10 percent of normal in many areas, and shortages of irrigation water may be reflected in serious reductions in 1969 production, particularly wheat and other small cereals.

The major impact of drought on 1968 production has been in sharp reductions for the Central Valley crops harvested near midyear including corn, pulses, and rapeseed. Larger plantings resulted in a moderate increase in the 1968 sunflowerseed crop. Production of potatoes and deciduous fruits grown in the southern agricultural area is estimated to be near levels of the previous year.

Shortages of rainfall and irrigation water sharply reduced plantings of wheat, barley, and oats to be harvested in early 1969, and their production may be the lowest on record for recent years. Some drought liquidation of cattle, now in progress in northern areas, is expected to reverse the gradual buildup in livestock numbers that has occurred since 1965. Continuing drought also indicates a reduction in other 1969 crops and a substantial rise in 1969 imports of agricultural products including wheat, feedgrains, and fats and oils.

Colombia: Colombian agriculture benefited from good growing conditions in 1968, and production is expected to reach a new record--more than 5 percent above last year. Agriculture also was stimulated by the emphasis upon trade diversification which has been reflected in a significant growth in minor exports in recent years.

Higher support prices encouraged an expansion in wheat area. Yields were larger and 1968 production is expected to exceed last year's output by more than 50 percent. A moderate increase is also forecast for barley and rice, but corn production is expected to drop slightly due to shifts in area. Coffee production recovered to a level near the 1960-64 average. Sugar output increased slightly and, due to larger plantings and higher yields, cotton production is up significantly above 1967.

Colombia's coffee exports for 1968 are expected to exceed 1967, and a major portion of the increased cotton production will move into exports. Exports of other agricultural products also are expected to increase in 1968. Liberalization of imports may result in a significant rise in imports of wheat, barley, corn, and fats and oils. During January-June 1968, U.S. shipments of wheat to Colombia were up sharply from the same period in 1967, but total agricultural exports to Colombia declined more than 20 percent.

Peru: In northern Peru, the highland grain crops and pastures were affected by drought, and the coastal cotton, sugar, and rice crops suffered from shortages of irrigation water. Although conditions were more favorable in southern Peru, total 1968 agricultural output is expected to be significantly below last year.

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The 1968 rice crop, seriously affected by shortages of irrigation water, is estimated about 45 percent below last year. Dry weather reduced corn yields and contributed to significant declines in highland wheat and barley crops. A sharp drop in Pima, the northern extra-long staple cotton, was estimated to be offset by an increase in the southern long-staple Tanguis crop. Sugar output may be down slightly, but the coffee crop will be higher.

Sugar exports this year may not reach the 1967 volume, but shipments to the U.S. are expected to be higher. Cotton exports should equal last year, and larger shipments of other agricultural products have been encouraged by devaluation of the Peruvian sol. Rice imports will rise sharply, with some increase also expected for wheat, fats and oils, and other products to meet larger food deficits. The U.S. share of the Peruvian market dropped sharply due to increased competition, and January-June U.S. agricultural exports were less than one-half the value of the comparable 1967 period.

Other South America: Production in Ecuador and Uruguay was adversely affected by serious drought during early 1968, but conditions were very favorable for agriculture in other South American countries, particularly Bolivia and Venezuela. On balance, however, the 1968 agricultural output for the other South American countries, including Paraguay, was expected to be near the 1967 level.

Dry, hot weather reduced Ecuador's 1968 rice crop about one-third. Corn, cotton, and oilseed crops were badly damaged and some reduction is anticipated for banana production. Uruguayan agricultural output is expected to continue a decline in progress since 1964. Drought sharply reduced the corn and sunflowerseed crops and rice production was down slightly. Improved moisture is expected to encourage some increase in wheat, barley, flaxseed, and later crops, but wool output may be lower in 1968.

In contrast, Bolivian agriculture benefited from above normal moisture; rice production was up sharply from the year-ago record, and the 1968 wheat crop should be higher. Guyana's sugar production probably will exceed last year's record. Paraguay's meat production declined due to lower prices, but the 1968 wheat harvest is expected to be up sharply. Venezuelan rice may not equal the 1967 record due to Government restrictions but conditions were favorable for other crops. The 1968 growth in agricultural output in Venezuela is forecast only slightly below the high rate achieved last year.

This report was prepared under the direction of Howard L. Hall, in the Western Hemisphere Branch. The report is based upon information available as of September 1. It updates a more comprehensive report published in April, 1968. The Western Hemisphere Agricultural Situation--Review of 1967 and Outlook for 1968. ERS-Foreign 222.

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